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NEW JERSEY DEPARTMENT OF THE TREASURY

BERGEN COUNTY UTILITIES AUTHORITY

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INTRODUCTION

On May 1, 1997, the United States Court of Appeals for the Third Circuit affirmed a District Court Ruling that a principal element of the State of New Jersey's waste flow control regulations, specifically N.J.A.C. 7:26-6.5, is unconstitutional as it discriminates against out-of-state operators of waste disposal facilities. The Third Circuit also eliminated the two-year transition period, necessitating that each county must now reevaluate its solid waste strategy in light of the new timeline directed by the Court. On November 10, 1997, the United States Supreme Court denied the State's petition for certiorari such that the Third Circuit's decision is final. In order to provide an orderly transition to waste disposal options, each of the State's 21 counties and the Hackensack Meadowlands Development Commission needs to develop and implement plans that address their own specific long-term solid waste disposal needs.

The federal court decisions have had an immediate pricing impact on disposal rates in the region. Public and private landfills, along with the five Resource Recovery Facilities (RRF) in the State, have seen a drop in the solid waste tipping fees assessed, in an attempt to become market competitive and sustain their current share of the solid waste disposal market. This reduction in the tipping fee is having an impact in the various counties on the ability to continue to provide environmentally sound solid waste disposal services at the lowest possible cost. Long term planning for solid waste disposal services is vital to satisfy the dual obligations to dispose of solid waste in an environmentally responsible manner and to minimize solid waste disposal costs. The economic impact may require some of the various counties to unbundle the rates for solid waste disposal through the assessment of an Environmental Investment Charge (EIC) for the full and timely recovery of debt service costs incurred to finance the establishment of the various county systems in accordance with State law and the policies of the Department of Environmental Protection. The overall costs to provide solid waste disposal will be reduced and the tipping fees to be charged for use of the facilities will be competitive in the marketplace.

It is obvious that the regional market will undergo significant transformation as the deregulation of waste flow continues. It is also obvious that tipping fees must be established to become market competitive, and that special revenue sources will be required until the county or county authorities can implement the necessary plans to become market competitive in the long term while meeting its operations and debt service requirements. A major focus of the first Local Government Budget Review Program utility report was the opportunity to identify new sources of revenue as well as cost reductions. The focus of these Partnership Agreement Program utility reviews is short term viability, the ability to meet debt obligations without a guaranteed wasteflow, and the ability of the county or county authority to implement long term operational plans. The efforts to reduce the cost of solid waste disposal have focused on the renegotiation of existing agreements and the possible retirement and/or restructuring of outstanding obligations. Obviously, the county or county authority must maintain competitive tipping fees and maximize all other income potential to mitigate unanticipated market changes.

OPPORTUNITIES FOR CHANGE

Solid Waste Partnership Program: The Report of the Bergen County Utilities Authority (BCUA) Budget Review Team

There is no doubt the cost of operating a Solid Waste Disposal System - and the rates that support it - have been steadily rising over the last decade. Now, with the legal challenges to the control of waste disposal, a special review program has been initiated to deal with the outstanding debt issued to finance solid waste systems in accordance with the Solid Waste Management Act and the Solid Waste Utility Control Act. As part of the Solid Waste Partnership Agreement Program, there is state budget language to “subsidize county or county authority debt service payments for environmental investments incurred as of June 30, 1997 in accordance with criteria and program guidelines established by the Commissioners of DEP, DCA and the State Treasurer. Expenditure of such funds are conditioned upon the State Treasurer having conducted or contracted for an operational audit of such county or county authority, and such county or county authority having implemented the audit recommendations to the satisfaction of the State Treasurer.”

This review recommends steps to be taken over the short term, but long-term implications will be considered in ongoing discussions with all entities involved in final determination of the Solid Waste Partnership Program conditions.

This review and report was completed in December, 1998 in response to the Bergen County Utilities Authority (BCUA) choosing to participate in this special review program. This is the first step in the process of the State assisting Authorities in the era of deregulation of waste flow. The BCUA will now need to evaluate its options based on these findings and recommendations and fully participate in ongoing discussions with its professional staff, consultants, facility operator, the County and the State in order to develop a final partnership agreement. If aspects of the alternatives provided need to be changed, they will become part of the dialogue between the entities involved. This Partnership Agreement Contract will ultimately be between the Department of Treasury, the Department of Community Affairs (DCA), and the Department of Environmental Protection (DEP), the County of Bergen and the County Authority designated as the implementing agency for solid waste in Bergen County.

There are presently thirteen (13) privately operated transfer stations and the BCUA transfer station in Bergen County.

The BCUA presently contracts with three landfill sites in Pennsylvania (Empire, Great Meadows and Grand Central) and Charles City, Virginia.

BACKGROUND

Bergen County Utilities Authority (“BCUA”) exists and operates pursuant to N.J.S.A. 40:14B-3(b) constituting a political subdivision of the State, by action of the County Board of Chosen Freeholders. On December 23, 1980, the Bergen County Board of Chosen Freeholders by resolution designated the Authority as implementing agency for the Bergen County District Solid Waste Management Plan (“Bergen Plan”). The BCUA is the agency that reviews and initiates or proposes amendments to the Bergen Plan and then provides recommendations to the County Freeholders for approval. Prior to March, 1988, the solid waste stream generated by sixty-nine of the County’s seventy municipalities was disposed of at the Authority operated Kingsland Park Sanitary Landfill (“KPSL”) located in Lyndhurst and North Arlington, New Jersey. The landfill has been closed since February 29, 1988. The Authority provided for the construction and operation of a transfer/baler facility in North Arlington, New Jersey, following the KPSL closure which has a capacity of 5,000 tons per day for processing and transport to both in and out-of-state disposal locations. Presently, the transfer station handles approximately 1,200 tons per day of type 10, 13, and 27 waste.

The BCUA has a clear agenda in place to ameliorate the onerous financial position it finds itself in regarding its outstanding debt obligation. The strategy focuses on the preparation of a Request-For-Proposal (“RFP”) that would turn a County liability into an asset of competitiveness. The strategy is outlined in the following pages and includes the implementation of an environmental investment charge (“EIC”).

The County Executive and the Board of Chosen Freeholders have been striving over the last five years to implement a competitive market strategy to return credibility to the agency and to downsize the organization. An earlier effort to dissolve the BCUA and bring the operations under the County’s umbrella was terminated. This was because the Commissioners to the Board of the Authority, who were in agreement with the County’s policy to pursue a privatization strategy, became the majority position. The RFP discussed above is a direct result of this effort.

The large O&M shortfall presented on the following page is primarily a result of holding estimated tonnage through the transfer station at the 1998 projected level. Please review Alternative to Privatization on page 8, which presents the impact of additional tonnage being attracted to the Transfer Station and its affect on rates.

As a result of the action taken by the United States District Court declaring New Jersey’s solid waste flow regulations (N.J.A.C. 7:26-6.5) to be unconstitutional, Bergen County’s Solid Waste Management District has initiated plans to amend the current Solid Waste Management Plan (“the Plan”) to be consistent with the Third Circuit Court’s directive.

The draft Plan amendment has not been submitted to the Local Finance Board for approval to impose an EIC or to the New Jersey Department of Environmental Protection for approval of a Solid Waste Management Plan amendment. These actions are pending.

The Chairwoman of the BCUA Board of Commissioners indicated that the Authority plans to follow the suggestion of the County Executive and the County Board of Chosen Freeholders to pursue and evaluate a comprehensive policy of potential privatization of the entire authority, both solid waste and wastewater. Presently, Deloitte & Touche has been hired to perform (i) a management audit that is targeted on potential consolidations of duties and elimination of mid-level supervisory staff, and (ii) packaging of an RFQ (Request For Qualifications), an RFP, and bid documents for the potential privatization of the wastewater operations function.

The relationship between the County and the BCUA have improved significantly over the past five years such that the BCUA Commissioners work in concert with the County Executive and the Freeholder Board on policy and long-term planning strategies. The proposed EIC was prepared in conjunction with the County such that they support the imposition of such a fee. The Authority is not advocating the use of a user fee because the County does not expect the municipalities to support a fee that could not be imposed on both municipal and commercial interests independently.

Please review the financial summary presented on the following page, which is based on the retention of the transfer station as a BCUA operated facility.

BCUA personnel were reduced from 400 to 300 positions in 1995.

Recycling agreement with private composting entity at the landfill is dated June 11, 1993.

It is the policy of Local Government Budget Review ("LGBR") to establish a benchmark for comparative purposes, which measures progress toward the goal of tip fee reduction. At the BCUA, for every \$293,500 in cost reductions, cost reallocations or revenue enhancements, the tip fee can be reduced by \$1. Based on the previous tip fee of \$101.88 per ton and present tip fee of \$54 per ton, the Authority will need to lower annual expenditure obligations by \$47.88 or \$14 million per year.

The Authority, to its credit, internally has implemented a number of cost savings to bring expenditures into line with revenue projections for the current year. A major cost reduction initiative occurred in 1995 when a 25% staff reduction was carried out at the BCUA involving management, solid waste and wastewater personnel.

The Authority's solid waste system includes solid waste transfer, transportation, and disposal services performed by BCUA or BCUA's contract vendors. Currently seventeen (17) municipalities out of 70 in Bergen County use the BCUA's transfer station for solid waste disposal.

The BCUA administers a district-wide recycling program that incorporates the 70 individual municipal recycling programs with the Authority's technical assistance and public education programs. Additionally, leaves, grass and vegetative waste materials are being composted at a combination of local, regional and private composting facilities and markets. Currently, vegetative waste composting occurs atop the site of the former Kingsland Park Sanitary Landfill

and is operated in accordance with the Hackensack Meadowlands Development Commission. As the former operator of the landfill, the BCUA retains responsibility for the performance of State-mandated monitoring requirements, closure and post-closure maintenance activities.

ALTERNATIVE TO PRIVATIZATION

The following page presents a possible tip fee scenario that could develop based on (i) the receipt of out-of-district solid waste tonnage, and (ii) retaining the transfer station under the control of the BCUA. The scenario assumes that:

- the BCUA attracts 100,000 tons or approximately 366 tons per day of additional trash to be handled through the transfer station beginning in January, 1999;
- the price per ton to haul the additional tonnage out-of-state at \$42.75 per ton becomes a new expense in early 1999;
- the expenditure budget is projected to rise 3% annually over the life of the proposed debt program;
- the interest earnings on the operating fund investments are reduced or eliminated to reflect the use of those monies to buy down the Authority's outstanding debt;
- the EIC rate is based on the State of New Jersey's debt service program moving forward that would impose an estimated fee of \$7.39 per ton county-wide and income from the EIC is included in the multi-year revenue budget;
- the host community benefits are funded through an appropriation from the County; and
- the recycling program has been removed (expenditures and revenues) such that it becomes its own program relying on a subsidy from the County to make up any shortfall.

The results of this scenario are demonstrated on the last line which identifies the amount of subsidy the Authority would need if this plan were implemented. Having used a 3% inflation factor as an adjustment to expenditures over the 25 year life of this proposal, there is every expectation that this potentially overstates future costs such that a subsidy may never be needed to support activities at the BCUA. Please note that the Authority may need to employ additional staff to support the handling of increased tonnage through the transfer station facility and the BCUA will provide justification for the hire of additional personnel within the reporting requirements stipulated in the letter of settlement between the State of New Jersey and the BCUA.

Taken together, the tip fee of \$54 in 1998 plus the proposed EIC of \$7.39 would amount to a total fee per ton of \$61.39. The potential for this scenario is high due to the fact the above assumptions are reasonable.

Based on 192,000 guaranteed tons per year in the example to the right, the cost difference:

- a) in disposal charges alone totals \$2.7 million*
- b) between the two full cost scenarios totals \$7.3 million*

Since November of 1997 the BCUA has been transporting 100% of its solid waste to out-of-state landfills.

UCUA/BCUA INTERDISTRICT AGREEMENT

A formal Interdistrict agreement between the Union County Utilities Authority and the BCUA was entered into on August 25, 1993. The Agreement stipulated that:

- The BCUA shall deliver 192,000 tons annually (“Guaranteed Annual Tonnage”).
- The UCUA would cooperate with the BCUA in developing alternative delivery systems other than directly from Transfer Station to the UCUA Resource Recovery Facility (“RRF”) including traffic plans and monitoring plans from other private transfer stations.
- The BCUA shall deliver processible waste. (Waste that has been filtered to remove non-combustibles, iron, glass, white goods, and hazardous waste products.)
- The bypassing of waste to an alternative disposal site shall be bypassed on a proportionate basis based on each party’s relative intended use of the facility.
- The BCUA can offset any monthly shortfalls in scheduled monthly tonnage with excess tonnage credits delivered any other month within any one calendar year.

The tipping fee per ton of processible solid waste delivered to the UCUA from Bergen County, prior to the Atlantic County decision, was \$80.91. However, the overall cost per ton to the BCUA totaled \$111.13 which includes the tip fee, processing to remove recyclables and transport. The Director of Solid Waste at the BCUA indicated that since flow control was declared unconstitutional, the Authority had been directing its solid waste to out-of-state landfills at a considerable savings to that of the UCUA. Using the current tip fee amount of \$50 per ton at the UCUA, comparative costs between the two disposal solutions are:

	UCUA	BCUA Out-of-State Alternative
Tip Fee	\$50.00	\$0.00
Transport	\$6.91	42.75 ¹
Subtotal - Disposal	\$56.91	\$42.75
Processing Charge	24.00	0.00
TOTAL	\$80.91	\$42.75

The lawsuit brought by UCUA against the BCUA, who as a result of the Atlantic Coast decision informed the UCUA that it considered the interdistrict agreement null and void, is pending in the Union County Superior Court. On an application by BCUA to define the effect of Atlantic Coast on the interdistrict agreement, the Federal District Court determined that the “put” portion of the agreement was unconstitutional and remanded to the State court to determine whether the “pay” portion of the agreement or any other provisions remained valid and enforceable.

The Director of Solid Waste for the BCUA indicated that the Authority would have more of an incentive to work with the UCUA if it were to consider some incentives to mitigate the cost

¹ The tip fee and transport costs are contracted as one price.

difference with alternative disposal sites. One example suggested would be to eliminate the waste screening program performed at the transfer station that eliminates inappropriate materials from municipal solid waste prior to delivery to the UCRRF. Municipalities are responsible for carrying out recycling and other filtering procedures such that the transfer station effort could be considered excessive. Any final processing responsibility should be transferred to the UCUA who processes other in-county municipal waste tonnage at its facility.

It is recommended that the BCUA propose the elimination of the processing requirement during negotiations with the UCUA to mitigate the tip fee charge to make the UCUA more economically competitive. This would reduce the total delivery cost to the UCUA by approximately \$24 per ton.

Elimination of the processing requirement at the transfer station would result in a 29.7% or \$4.6 million reduction in annual tip fee charges to the BCUA based on 192,000 tons per year.

The BCUA was directed by the New Jersey Department of Environmental Protection (“NJDEP”), as part of the state’s approval of the interdistrict agreement, to implement quality assurance programs at the municipal level within Bergen County to eliminate inappropriate materials from the waste stream before it was delivered to the UCUA for incineration. The programs include a battery recycling program, hazardous material program, public education program, and others. This alone establishes the baseline for meeting the UCUA’s definition of processible waste. The BCUA, however, is required to go further than this. The transfer station must do additional processing of the waste tonnage to further filter materials inappropriate for incineration prior to USA Waste Services, Inc., hauling filtered material to the UCUA. This latter piece is what the BCUA wants to eliminate as a cost saving opportunity and transfer this activity to the UCUA.

The Director of Solid Waste for the BCUA also indicated that if the interdistrict agreement with the UCUA is not overturned then the UCUA will have to begin negotiating with the BCUA to mitigate the impact of the agreement under current economic circumstances as stipulated under 5.01 (b) of the Interdistrict Agreement. The Agreement stipulates that “In the event that BCUA finds that [UCUA’s cost components of the Annual Service Fee] are not reasonable or are contrary to the terms of the Service Agreement the parties shall undertake, in good faith, negotiations to resolve such a dispute.”

The Chairwoman of the Board of the BCUA indicated that the basis for determining whether or not to reestablish a delivery relationship with the UCUA will be based primarily on economics. If the cost of out-of-state disposal remains significantly below the cost of in-state disposal, as displayed on the previous page, then the BCUA will continue to use an out-of-state facility and pay the UCUA as well as it is doing now.

The Authority has been making payments to the UCUA since November of 1997 following the Atlantic Coast decision. However, the UCUA has placed those payments in an escrow account pending a determination on the outstanding legal proceeding regarding the BCUA’s obligation to pay. The 1998 budget does not identify funding for the payment of this obligation, however,

payments are presently being made according to a schedule approved in the interdistrict agreement on a monthly basis from tip fee income. The 1998 budget will need to be amended some time this year to draw down against retained earnings to cover the cost of this expenditure. It is anticipated that the court will hold the BCUA accountable for this expense.

We encourage the Authority to resolve the UCUA litigation in conjunction with the State's efforts to ameliorate the stranded debt obligation of the BCUA. To that end, the parties mentioned share the obligation to resolve the interdistrict agreement litigation in coordination with the approval of a settlement agreement with the State of New Jersey for possible financial assistance.

A majority of the Board and County Executive indicated that they do not consider it cost effective to retain the Authority as a public operation and consider the lease option the best alternative.

RFP STRATEGY FOR SOLID WASTE

The Chairwoman of the BCUA Board of Commissioners and the Director of Solid Waste for the BCUA gave a comprehensive overview of a four part Request-For-Proposal ("RFP") advertised earlier this year where no proposals were received. The primary concern of the potential bidders is the State of New Jersey whose plans on revising solid waste flow rules are presently unknown. The Authority plans to revisit this strategy in the future.

The strategy behind the RFP was to:

- Become more competitive in the solid waste market serving Bergen County,
- Evaluate alternative service proposals that will reduce the cost of solid waste services,
- Provide employee unions the option to participate in the bid process to operate the solid waste facilities,
- Evaluate downsizing opportunities in conjunction with privatization of the transfer station and operations and maintenance, and
- Resurrect the BCUA as a credible and viable public asset.

The four bidding scenarios of the RFP, that were drafted by Malcolm Pernie Associates, included the following:

- 1) Contract for solid waste transport and disposal services from the transfer station to a vendor selected, state permitted solid waste disposal facility, RRF or landfill. O&M would remain with the BCUA.
- 2) Contract for solid waste transport and disposal and operation and maintenance of the transfer station facility (either one combined service contract or separate contracts).
- 3) Lease of Facility (long or short-term). The lease proposal describes 5, 10, 15, and 20 year options.

- 4) Lease of Facility with provision to provide transport and disposal services for Bergen County solid waste.

The BCUA marketed the existing strengths of the transfer station to attract significant interest from private operators to lease the facility. The strengths included:

- Capacity of up to 5,000 tons per day. Currently, the transfer station handles 1,200 tons per day.
- Access to rail transport with an existing spur that runs from the transfer station.
- Access to New Jersey Turnpike, I-80 and Garden State Parkway.

The Chairwoman of the BCUA Board of Commissioners indicated that any of the four scenarios described earlier were eligible to be chosen. The principle decision points would have been based on economics, what makes sense for the BCUA, and what is best for the taxpayers of Bergen County. The fourth option, which was to lease the transfer station and provide for private transport and disposal, is generally the most favored by a majority of the Board as well as members of the County Board of Chosen Freeholders. This option:

- offers solutions to broader problems that are holdovers from previous BCUA Administrations,
- offers an opportunity to compress the management structure and reorganize work responsibilities,
- offers the potential to increase the revenue generated from increased tonnage such that revenues generated above projections can help reduce the EIC component required to fund the annual debt service payment, and
- potentially adds further credibility to the BCUA in its attempts to recreate itself as a cost conscious independent solid waste authority.

It is recommended that the Authority implement a long-term strategy for the sale of the facility to write down outstanding debt or lease to minimize reliance on an EIC. If the Authority proves to the satisfaction of the State Treasurer that a short-term strategy regarding the privatization of transport and disposal and/or privatization of operations and maintenance is warranted, the Authority may adopt such a strategy.

As a result of discussions with industry representatives to address their concerns and to revise the bid package accordingly, the Authority is planning to go out for bid for operations and maintenance, and/or transport and disposal in October of 1998. The bid documents will specify a two year contract with an option for a one year extension.

COMMENTS ON LEASED OPERATIONS STRATEGY

A. The BCUA has proposed a strategy to have a private vendor operate the Transfer Station in its entirety. LGBR has developed a table of organization to address the administrative staffing

needed to monitor this relationship and its obligations to the residents and businesses of Bergen County.

Our analysis of this strategy is based on comparisons of other contracted operations and the administrative staffing requirements remaining with the Authority. The comparisons suggest a very limited activity following the award of the contracts. Basically the table reflects a continuing presence in the form of a liaison officer to the contractor who would report on activity, oversee contractual obligations and generally keep the Utility Authority Board informed on operations. At a minimum, the liaison officer would need to monitor complaints, talk with municipalities, and resolve possible disputes.

The vendor by definition would operate all aspects of the Transfer Station. There would be no need for additional supervision by BCUA personnel. Recycling operations would be returned to County control and continue in its current capacity with a liaison service with the new vendor or vendors of the Transfer Station.

B. The Financial oversight would be maintained through the Chief Financial Officer with the assistance of a full-time secretary.

Support staff would no longer be required in this scenario since the contractor would be required to supply most detailed accounts and records. We recommend that the BCUA include this aspect of the operation in its request for proposals.

C. Wastewater operations would remain largely untouched, but it is recommended that changes in maintenance, vehicle maintenance and services be made.

D. Office of the General Counsel was left untouched as well, but we do recommend all professional agreements with labor counsel be discontinued until negotiations with Wastewater are restarted.

E. The Divisions of Maintenance, Vehicle Maintenance and Services is recommended for outsourcing to a third-party contractor.

Currently, the BCUA maintains duplicate vehicle maintenance services for wastewater and solid waste departments plus support functions to both departments. LGBR feels a combined operation under a vendor could be arranged or proposed to support both areas with general maintenance and vehicle and heavy equipment service. Since Bergen County has chosen to privatize some existing operations, the impact and consequences of additional support from the private sector could be solicited at the same time. We feel both these operations could be reviewed by the solid waste liaison or the executive assistant assigned to aid with contract monitoring. This proposal suggests that maintenance services could be totally contracted for through a third party vendor.

A contract for solid waste operations at the Transfer Station could also include operation of the maintenance functions described at right.

Please review the Table of Organization on the following page that LGBR projects as the remaining administrative structure of the BCUA following award of a lease agreement with a contract operator of the Transfer Station.

PROPOSED EIC

The BCUA has revised its position from the assessment of a user fee to an Environmental Investment Charge (“EIC”) on all tonnage generated in Bergen County to finance both stranded outstanding debt and a portion of its operating costs. The BCUA has been reluctant to declare financial difficulty when they have considerable fund balances and no pending problem funding the annual debt service payment of \$10.8 million through the end of 1999. Nevertheless, a supplemental revenue source will be necessary to fund some portion of the annual debt service obligation but the amount will be dependent on (i) how successful the marketing campaign is to attract new municipal customers, (ii) the winning portion of a proposed RFP for operation of the transfer station, (iii) implementation of operational efficiencies throughout the Authority, and (iv) determination of the degree of financial responsibility on the UCUA Interdistrict Agreement debt.

The proposed EIC was developed through a comprehensive apportionment of all BCUA line item costs between (i) a system-wide tipping fee or (ii) a county-wide EIC. The BCUA estimates total tonnage carted through the transfer station versus tonnage being generated county-wide and taken to privately run transfer stations totals 293,500 and 449,912, respectively.

The BCUA had a difficult time choosing the best solution for imposing some kind of charge to generate revenue for funding the annual debt service obligation on the Authority’s stranded debt. The choice was based on determining the most equitable solution for assessing a fee to both municipal solid waste and commercial solid waste generators. As a result of the Atlantic Coast decision, the BCUA has had to reduce its tipping fee to a market rate which is insufficient for generating enough revenue to service the debt obligation of the Authority. The only avenue for getting the additional revenue needed to service the debt is through a proposed EIC that targets both municipalities and commercial entities separately.

The BCUA loses in excess of \$1 million each month the EIC is delayed.

The County Board of Chosen Freeholders has stated that:

- they will not add an assessment to the annual county tax bill, and
- they will not sign a deficiency agreement to back the BCUA’s outstanding debt.

The municipalities have informed the BCUA during a series of public information sessions throughout the county that they do not want to add a line-item tax assessment on to the annual quarterly tax bill. The BCUA is presently working with a coalition of 35 communities in Bergen County to participate in the development of an EIC that is palatable to them. In order to avoid the issuance of an EIC, the Authority will need to attract additional tonnage from either in-county or out-of-county solid waste generators. The BCUA is proceeding with a marketing campaign to retain tonnage contracts with municipalities using the Transfer Station and they appear to be succeeding. Tonnage numbers have only slid slightly from 1,300 tons per day in 1997 to 1,200 tons per day currently.

The marketing campaign is an example of competitiveness that the BCUA Commissioners are pushing as an alternative to privatizing the operation.

The proposed EIC totals \$26.37 (EIC/449,912 tons generated county-wide) based on the BCUA's plans for eligible costs.

It is recommended that a proposed EIC per ton be assessed on all tonnage generated within the County. It is recommended that such EIC be limited to debt incurred prior to November of 1997. The LBGR analysis shows that implementation of our audit recommendations should result in an EIC not to exceed \$7.39. The BCUA is proposing an EIC of \$26.37 which does not reflect savings initiatives discussed in this report. Breaking out the elements of the proposed EIC are as follows:

TABLE: BCUA's Solid Waste EIC Proposal

Area of Expense	Recycle Grants	Interest Income	Miscellaneous Income²	EIC	Total
Debt Service				10,824,788	10,824,788
BPU Fees		114,892		85,108	200,000
Solid Waste Planning		240,153		177,898	418,051
Kingsland Park LF		164,359	100,000	195,829	460,188
Recycling/HHW	426,556	323,106		288,792	1,038,454
General Expenses		42,222		31,277	73,499
Insurance		24,127		17,873	42,000
Allocated Admin Charges		391,141		274,657	665,798
Anticipated Cost Savings				(34,000)	(34,000)
TOTAL	426,556	1,300,000	100,000	11,862,222	13,688,778

In 1999, the portion related to Kingsland Park Landfill (\$.44 per ton) will be eliminated because these costs will be eligible for reimbursement from Closure funds.

The charges included in the proposed EIC are as follows:

Debt Service	\$24.06
BPU Fee	.19
Solid Waste Planning	.40
Kingsland Park Landfill	.44
Recycling/Hazardous Household Waste	.64
General Expenses	.07
Insurance	.04
Allocated Administrative Charges	.61
Estimated Cost Savings built in to EIC	(.08)
Total	\$26.37

There is developing interest at the state level to have all non-debt related charges ineligible as part of the calculation for establishing an EIC. As a result, **it is recommended that the non-debt related charges outlined above and on the preceding page totaling \$1,037,434 or \$2.31 per ton (\$1,037,434 / 449,912 tons generated county-wide) be pulled out of the EIC equation**

² Income comes from lease payments from compost facility operating atop the closed Kingsland Park Sanitary Landfill.

and those charges may be covered by cost savings in other areas, retained earnings or increased tonnage income. In addition, turn to page 22 to review a debt reduction scenario to lower the EIC.

RECYCLING

The BCUA is not responsible for picking up recycled materials in Bergen County. This is the responsibility of the 70 municipalities. The Authority does provide recycling education and program planning grants to each municipality and directs the household hazardous waste program. Tipping fees only cover a portion of the cost of recycling related to salaries. Recycling grants and interest earnings on Authority investments are being utilized to cover most of the cost of this program. The BCUA is proposing to incorporate \$288,792 of revenues generated from a proposed county-wide EIC to meet its full expenditure obligations for this program. As likely proposed by the pending legislation to be introduced in the legislature, recycling grants may not represent an eligible cost for an EIC.

There are eight employees assigned to this program. Three Recycling Program Managers, four Solid Waste Educational Technicians (1 position vacant), and one Clerk.

A county-wide assessment to fund the Host Community Benefit Fee is estimated to total \$.91 per \$100 of assessed valuation on a single family residence valued at the 1998 County average of \$227,700³.

It is recommended that no reductions be made in this program. However, it is recommended that the County take on the responsibility of funding the balance proposed to be covered by the EIC or \$288,792 of the recycling program, which represents a countywide obligation. This represents a tip fee reduction of \$0.98 per ton.

CLOSURE AND POST CLOSURE PLAN

The BCUA hired RD Hunter & Co., LLP, certified public accountants, to examine the assumptions and projections made by the Authority regarding its Closure and Post Closure Plans. The October, 1997 report indicated that the BCUA has developed a Closure and Post Closure Plan for the Kingsland Park Sanitary Landfill ("KPSL") located in Lyndhurst and North Arlington, New Jersey and in the Hackensack Meadowlands District. The borders of the landfill encompass approximately 137 acres. The KPSL was directed to be closed, pursuant to an Administrative Order by the NJDEP, on December 30, 1987.

The Authority is responsible for the performance of State mandated monitoring requirements, closure and post closure responsibilities at the KPSL.

³ Estimate is based on \$289,000 in recycling charges / 1997 Net County Taxable Valuation x \$227,700 x .01

In March of 1995, an amended Closure/Post Closure Care and Financial Plan for the KPSL was filed with the NJDEP by the Authority projecting costs totaling \$53.9 million to be funded from the Closure and Contingency Trust Fund. The amended Plan reflects a December, 1994 transaction whereby the NJDEP authorized the transfer of \$18.1 million from Hackensack Development Meadowlands Commission's Closure and Contingency funds to the BCUA for the sole purpose of funding the closure and post closure costs of the landfill. The BCUA's 1996 Audit Report indicates that the source of funds for the Closure and Post closure program will come from funds already in place (\$38,340,695) in the Trust Fund account and projected interest earnings over 30 years of \$30,578,963 between 1997 and 2026. Therefore, the difference between what the BCUA needs for closure and what it already has in place is \$20,336,346, based on the latest approved plan submitted in October of 1997.

The BCUA has more than fully funded this liability and should not anticipate any additional revenue demands on its customers.

The Plan has been approved as verified by the Division of Solid and Hazardous Waste, Bureau of Landfill and Recycling Management. The Division also indicated that final negotiations were taking place to complete the closure of the landfill as determined in the Plan and that BCUA has several capital projects planned to begin in April to construct prescribed corrective measures at the landfill.

Bergen County was originally responsible for closure and post-closure planning until the County transferred responsibility to the BCUA in December of 1980. The County designated the Authority as implementing agency for the Bergen County Solid Waste Management Plan and further directed the Authority to take control over all solid waste facilities formerly owned and operated by the County.

The Plan includes a schedule that establishes a projection of annual costs to first close the landfill and then perform thirty years of post closure monitoring. In discussion with NJDEP's Division of Solid and Hazardous Waste, we were informed that NJDEP sets the inflationary factor for estimating annual expenditures, whereas, NJDEP suggests an interest accrual figure on invested funds. The BCUA Closure and Post-Closure Plan has been found to understate interest accrual by up to 3.5% per annum. In conversation with the preparer of the October 1997 update of the Closure Plan, the firm stipulated that NJDEP established both the interest accrual rates and the inflationary rate for expenditures. The firm verified this claim several times before completing the update and they agree that the funding schedule understates potential earnings based on historical experience.

According to records provided by the BCUA, the escrow account earned \$2.417 million in interest between October 1996 and September 1997, or 6.19%. With this demonstrated earnings pace for the Closure Fund, the Plan submitted in October, 1997 should have demonstrated a significantly higher rate of return as opposed to 3.5%. Annual expenditures from the fund over the 30 year period are slated to average \$1.646 million which is \$771,000 less than the 1997 interest accrual in the Closure Fund. Appendix B1 and B-2 demonstrate a current approved Closure Plan Schedule and a proposed Closure Plan Schedule by LGBR, respectively.

For 1997, NJDEP set an inflationary factor of 3.26% per annum over the 30 year post-closure period. NJDEP has also suggested 6% to 7% for interest accrual.

The BCUA's Kingsland Park Sanitary Landfill Closure and Post-Closure Funding Plan was prepared by RD Hunter & Company, LLP, Paramus, New Jersey.

The State stipulates that all interest accruals are to be reserved in the Closure Fund escrow account and not swept for redeposit in the BCUA's Revenue Fund.

As of Monday, October 5th, 1998, the Federal T-bill rate was 4.8%.

It is recommended that the current fund balance estimated to be \$40,653,724 as of January 1, 1998, be reduced in the Closure Fund escrow account by \$10 million, or the projected amount of funds remaining once the cost of closing the landfill are finalized and submitted for approval by NJDEP, and apply those monies toward reduction of outstanding BCUA debt.

The draw down should be carried out on or about January 1, 1999 as presented on Appendix B2. Appendix B1 offers a revised projection for the fund based on amending the interest rate accrual from 3.5% to 5%. Appendix B2 demonstrates the impact of both the amended interest rate accrual and the withdrawal of \$10 million for debt reduction purposes. The argument in support of using surplus funds comes from the Division of Solid and Hazardous Waste which stated in a letter dated March 18, 1998 that "In a situation where a facility is overfunded (by more than 5%), there may be some latitude regarding the potential use of surplus funds only."

DEBT OBLIGATION

In 1992, the BCUA issued \$128,695,000 of triple-A rated, Advanced Revenue Refunding Bonds to consolidate debt and take advantage of low interest rates. As of July 1, 1998, the Authority's outstanding debt obligation for solid waste totals \$105,590,000. The Authority is not eligible for refinancing existing tax-exempt debt until the year 2002. Under the old tip fee of \$101.88, debt service represented \$30.03 in 1997 based on 360,000 tons handled through the transfer station that year.

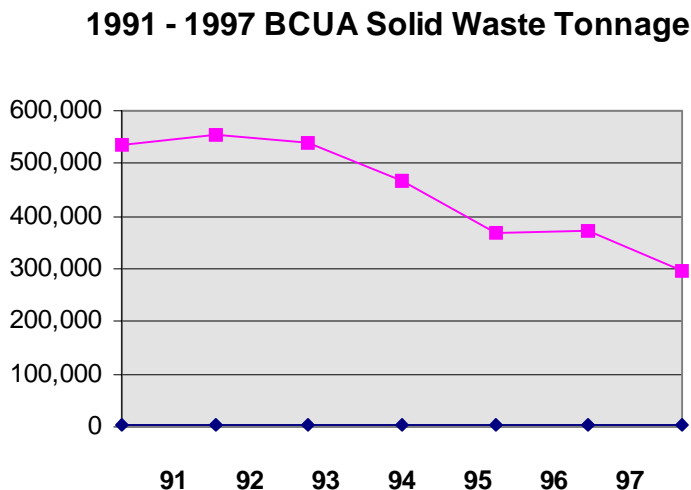
The BCUA is presently not funding debt service nor 100% of the operating budget at the current tip fee of \$54 per ton. As indicated on Appendix A, the currently approved maximum tip fee is \$64 per ton which reflects only the current cost of operations at the transfer station based on 293,500 tons per annum.

With the Authority's preference to lease the transfer station, the BCUA board is anticipating that the private operator will bring in significantly more tonnage. The lease payments by the private operator will be tonnage based such that the greater the tonnage the higher the revenue paid to the BCUA which will have an immediate beneficial impact on the amount of EIC assessed. The

EIC will be amended at least annually to reflect actual tonnage patterns and projected tonnage developed by the private operator.

Prior to 1994, the BCUA contracted with five private transfer stations as part of a system-wide solid waste strategy. Between 1994 and November of 1997, the BCUA contracted with three private transfer stations. BCUA's portion amounted to 1,320 tons per day. For 1998, the BCUA has agreements for approximately 1,200 tons per day.

Historically, tonnage has been falling for a number of years as presented on the following graph.



Currently, in the Spring of 1998, tonnage has begun rising slightly as marketing initiatives described earlier kick in.

If the lease or sale alternative is chosen, which is the recommendation of this report, the tonnage figures could easily rise to earlier historical levels with the attraction of out-of-district tonnage.

The State of New Jersey is presently working on a refunding proposal to consolidate all outstanding public solid waste debt as one of several cost saving alternatives to reduce the annual debt service obligation associated with each county's solid waste disposal program. Implementation of the proposed state refunding plan would (i) require a statewide referendum to relieve solid waste authorities of their obligation to reimburse the state for a zero-interest loan program issued in the 1980's and approved by the voters and (ii) buying down an Authority's outstanding principle with available funds held or in the control of each Authority. For the BCUA, that would amount to the following:

DEBT OUTSTANDING	\$105,590,000
AS OF 7/1/98	
Draw down of BCUA investment portfolio	40,000,000
DRAW DOWN OF EXCESS closure funds proceeds	10,000,000
Use of Debt Service Reserve Fund	<u>10,850,000</u>
TOTAL	\$44,740,000

Based on the proposed legislation being put forward, it is estimated that BCUA's annual debt service obligation would drop significantly from the current average of \$10.8 million principle and interest payment to \$3.3 million. This represents annual savings of approximately \$7.5 million, or \$16.67 per ton off the EIC (\$7,500,000/449,912 tons generated county-wide) which would leave an EIC of \$7.39 per ton.

If proposed legislation to give counties the option to chose to participate in the consolidation of their stranded solid waste debt into one comprehensive statewide bond issue is enacted by the legislature, it is recommended that the BCUA participate in the program. It would dramatically reduce the tip fee and transform the Authority into an equal competitor in the solid waste market. However, we reserve the right to condition participation in this program on the BCUA's leasing or sale of the transfer station. Finally, if at any time in the future additional assets purchased with Authority solid waste debt or any other accounts funded by Authority solid waste.

debt are discovered by the State, we reserve the right to require the use of these proceeds to further reduce the debt obligation of the county or county authorities.

HOST COMMUNITY BENEFITS AGREEMENT:

N.J.S.A. 13:1E-28.1 requires that a municipality within which a transfer station is located pursuant to an adopted and approved district solid waste management plan shall be entitled to an annual economic benefit not less than the equivalent of \$0.50 per ton of all solid waste accepted at the transfer station. As a result of this statute, the BCUA and the Borough of North Arlington entered into a Host Community Benefit Agreement. The following is a synopsis of that agreement.

The agreement was signed on March 12, 1998 and shall encompass the period of November 10, 1997 through February 28, 1999. For the time period covered by the agreement or until the a decision is made to possibly operate the Facility through a private sector vendor pursuant to a Contract or Lease Agreement, which constitutes an event of termination, the BCUA shall pay the Borough of North Arlington the following Host Community Benefits:

1. \$4 for each ton of solid waste accepted at the Facility (Transfer Station), up to 300,000 tons of solid waste accepted during the term of this agreement.

2. \$3.50 for each ton of solid waste accepted at the Facility for the next 50,000 tons of solid waste accepted during the term of this agreement.
3. \$3 for each ton of solid waste accepted at the Facility for all additional tons of solid waste accepted during the term of this agreement.

Payment on such solid waste tonnage is subject to and contingent upon certification of NJDEP as to the amount of solid waste accepted for transfer at the solid waste facilities of the BCUA.

In the event that during the term of this agreement the Facility is operated by a private sector vendor pursuant to a Contract or Lease Agreement, currently under consideration, the Borough of North Arlington hereby agrees to negotiate and attain payment of economic benefits resulting from the operation of the Facility in accordance with N.J.S.A. 13:1E-28.1 from such private sector.

A county-wide assessment to fund the Host Community Benefit Fee as budgeted at \$1.4 million is estimated to total \$4.33 for a single family residence valued at the 1998 County average of \$227,700⁴.

operator during the term of the contract or lease agreement by and between such private sector vendor and the BCUA.

According to BCUA records, for the year ended December 31, 1996, the Borough of North Arlington received cash payments equaling \$647,440 in host benefits from the BCUA. The total host benefit represented 4.96% of all the revenues collected by the Township. For the year ended December 31, 1997, the Borough of North Arlington received cash payments equaling \$517,615 in host benefits from the BCUA. The BCUA has budgeted \$1.4 million for 1998 for this anticipated expense.

The BCUA should entertain all options available to them to reduce and/or transfer this Host Community Benefit. We recommend that the BCUA accomplish this in one of the following ways:

- **transfer this cost to the County as a county-wide tax assessment; or**
- **transfer the payment obligation to a private lease operator of the transfer station if that alternative is selected pending the outcome of a proposed RFP.**

A reduction of the \$517,615 Host Community Benefit from the BCUA's budget would result in an approximate \$1.76 decrease in the tip fee.

The Host Community Benefit fee was reduced from \$5 to \$4 per ton between 1997 and 1998 and represents an already recognized annual savings of approximately \$300,000.

⁴ Estimate is based on \$1.4 million in HCB / 1997 Net County Taxable Valuation x \$227,700 x .01

Recycling monies are used only for non-salary expenditures related to the operation of the BCUA sponsored recycling programs and hazardous waste management program.

BCUA ACCOUNT BALANCES, AS OF AUGUST 31, 1998

As stipulated in the Solid Waste Partnership Program that the Authority “has reasonably exhausted all other available cash resources and management alternatives,” the following are the account balances of the BCUA in the order of the flow of funds as required under bond covenants:

Revenue Fund	\$1,734,510.51	Swept to Operating
Operating Fund	64,025.50	Commercial Checking Account
Operating Fund Reserve	0	Inactive
Bond Service Fund	3,211,005.94	Semi-annual debt payments
Bond Sinking Fund	0	Inactive
Bond Reserve Fund	10,969,446.25	For deficiencies in bond service fund
Renewal & Replacement	1,000,133.32	Trust Acct and Contingency Acct
General Fund	0	Captures overflow of excess funds from bond reserve fund
Rebate Fund	0	Inactive
Construction Fund	0	1992 Bond Proceeds
<i>Other Funds:</i>		
Closure Fund	43,432,544.14	Escrow KPSL
Custodian Account	27,177,495.08	Unrestricted funds
Operating Fund Investments Account	12,802,834.13	Investments held in Operating Fund
New Jersey Cash Management Fund	2,735,000.00	Operating Money Market Account
Recycling Education/Program Planning Grant	166,211.31	Balance held by the State of New Jersey
Solid Waste Service Tax Grant	913,097.05	Balance held by the State of New Jersey

Source: BCUA

It is recommended that the available balances in the Operating Fund Investments Account, Debt Service Reserve Account, the Custodian Account loan and the litigation escrow held by Union, if such monies are returned to Bergen upon resolution of pending litigation, be

applied to buy down the Authority's outstanding debt that may be contemplated by either the State of New Jersey or when the Authority's Advanced Refunding Bonds are eligible for refinancing in 2002. We reserve the right following the Authority's submission of a restructuring plan to recommend refinancing through the State and the extension of debt service payments over a period of time deemed appropriate by the State Treasurer.

The funds invested in the Operating Fund totalling \$12.8 million represent retained earnings of the Authority that are undesignated to any particular project or purpose other than the immediate need to fund any shortfall in the Bond Service Fund, Debt Service Reserve Fund and payments to the UCUA as stipulated in the interdistrict agreement following a pending determination by the Superior Court.

PERSONNEL ISSUES

If the BCUA were to proceed with the audit's long term strategy for the sale or lease of the facility, the following personnel recommendations are not applicable. However, if a short term strategy requiring the authority to operate pending the sale or lease of the facility is agreed to by the State Treasurer, we recommend the following cost saving efficiencies to preserve the fiscal integrity of the Authority during that interim period. Due to the existence of collective bargaining agreements and the implications associated with them, management will agree to make all reasonable efforts to incorporate the following recommendations into these agreements.

The BCUA encompasses two (2) distinct utilities: solid waste and wastewater pollution control. Administrative personnel are assigned proportionately to the two utilities according to a variety of cost attributes. On average, administration is currently spread 45% and 55%, respectively.

A number of issues stand out when looking at personnel and their costs Authority-wide.

- Approximately 83% of the employees were hired in 1990 or earlier.
- Only three management staff in solid waste are categorized as non-union personnel.
- There are three collective bargaining units and a fourth in the preliminary stages of developing an agreement.
- The Authority has an excessive number of job titles.
- Salary scales are above average for most positions.
- There is an excessive number of supervisory personnel in both utility departments.

For purposes of this analysis of personnel guidelines, we will only look at 133 positions associated with Solid Waste and related administrative functions shared between Solid Waste and Wastewater Departments. An analysis of those employees who are shared will be reviewed rather narrowly in scope and mostly would affect those areas involving finance, Administration and Services Divisions. A revised Table of Organization has been generated to reflect the following areas: Executive/ Administrative, Solid Waste Division, Human Resources, Finance, and the Services Division. The solid waste entity in Bergen County currently operates a transfer station and is about to formally close its Landfill which has not accepted trash for nearly ten years.

For purposes of this review, we will attempt to address the various divisions independent of each other. Therefore, the first area of analysis will cover the division of Administration and Executive followed by the other divisions as previously outlined.

The following discussion assumes the BCUA Board of Commissioners may consider choosing to defer leasing the transfer station in exchange for an employee supported in-house initiative to downsize and implement a cost and market competitive operation. This decision may be based on some of the economic advantages of a public operation versus a private vendor. Private operators pay dividends and are profit motivated, whereas, publicly owned entities are not. The biggest area of expenditure at the Authority after debt service is in salaries. The Personnel Committee is attempting to work with and encourage unionized employees to participate in plans that would make the Authority more competitive. The following recommendations may reflect plans being developed already and this report is being anticipated as a second opinion on potential cost containment measures.

ADMINISTRATION

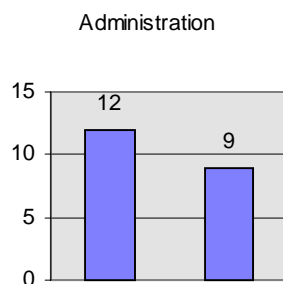
In December of 1997, the *Executive Director* of the Authority resigned. A temporary replacement has been assigned to carry out the duties of that role in the interim as the BCUA attempts to reorganize itself into a competitive and partly private sector operation. At the present time, one of the division heads has been assigned to that position.

In addition, the BCUA operates with a professional Ombudsman as well as a part-time Treasurer. The *Ombudsman's* position is one of assistance and complaint resolution. In contrast with other County authorities, we have found this job to be unique among its counterparts in the industry. Actually, we have found this position to be dispersed among many division heads throughout the industry and sometimes with the director entirely if the issue is of major significance. Although this position has proven to be valuable to the BCUA, we believe it can be eliminated and the responsibility distributed to key division heads comparable to other authorities.

The BCUA also established a *Safety Director* to oversee all issues of safety and quality associated with the BCUA. Again, this position is not that unusual for an operation of this size but it has never been given autonomous status as it functions for the BCUA.

Under salary guidelines made available to LGBR, the Secretary's salary could be reduced by at least \$7,000 and still reflect extremely high ranges for this occupation.

It should be stated here that should the BCUA accept vendor plans to operate the Transfer Station, the Deputy Director's position would no longer be needed.



Rather the position has been molded onto an existing supervisory employee's list of responsibilities, as is the case in other authorities. We suggest this function be a responsibility combined with the duties of the Director of Solid Waste or his designee. Of course this position will cause funds to be used in an area where they had not been budgeted previously, but we believe this enhancement will be offset by the consolidation of two positions into one.

In a final review of this area, it is obvious that the BCUA establishes remuneration for its clerical support at extremely high levels not necessarily in relation to other comparable positions in the public sector. The *Secretary* assigned to the Executive Director and Deputy Director, under the newly proposed Table of Organization, should not reflect an expansion of duties nor a reduction in the capacity of the position. Therefore, we recommend these positions salary be capped at its present level and upon replacement at some future date, the salary level be adjusted to represent what the market for this type of employee pays.

Finally, we suggest the abolition of the part-time *Treasurer's* position, in favor of a full-time Chief Financial Officer. This part-time position is redundant and is no longer needed with the debt structure evident at the BCUA.

It is recommended that staff be reduced at this level from 12 to 10 positions. The positions of Ombudsman and Safety Director should be eliminated. The Safety Director's responsibilities should be combined with the Director of Solid Waste or his designee. The position of part-time Treasurer could be withdrawn in favor of a full-time Chief Financial Officer. We also suggest the salary of the Administrative Secretary's position be capped and amended when the position becomes vacant. Savings suggested in the Administrative/Executive division total \$197,203. Only 50%, however, is associated with Solid Waste totaling \$98,601, or \$.34 per ton off the tip fee.

HUMAN RESOURCES

Currently, the Division of Human Resources is comprised of a vacant Director, one secretary, and a Manager of Employee Benefits. Should the BCUA remain intact with no outsourcing of services to a private operator, we recommend no changes in this area. Should the BCUA accept various proposals to incorporate vendors into the operation, we would recommend the gradual elimination of the division. However, these decisions await the results of an extensive RFP

process to attract qualified bidders to potentially privatize the Transfer Station and thus no efficiencies are recommended at this preliminary date.

No recommendations for change are offered at this time.

SOLID WASTE DIVISION

Based on discussions with various individuals within the solid waste area and from on-site observations, the team concluded that the number of supervisors assigned to solid waste could probably be reduced. With that in mind, it is suggested that the positions of Flow Coordinator in Solid Waste and Regulation Coordinator in Wastewater be consolidated. Since both supervisors deal with issues involving quality and enforcement, there is an opportunity to bring these two positions together over weighing operations and the remaining enforcement operations which is minimal. Some limited amount of marketing support could be considered as this responsibility was a recent addition to their duties. This represents potential savings of \$55,018, including benefits from solid waste division based on the Flow Coordinator's position.

In combination with this shift, we have also sought to reduce those individuals assigned to both quality and flow control. We believe that two Inspectors could be retained for minimal quality oversight and possible decal or registration review. Additional coverage for local registration could be secured through inter-local service agreements with either the County or individual municipalities. This change in operations could reduce the size of the inspectors by eight positions totaling \$478,139. 97% of the salary costs are associated with Solid Waste such that the proposed reduction totals \$463,795, or \$1.58 per ton off the tip fee.

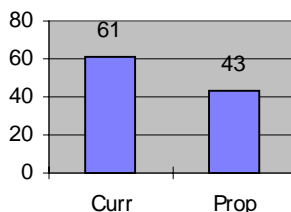
Currently, the BCUA is responsible for the closure of the *Kingsland Park Sanitary Landfill* located in North Arlington, New Jersey. The BCUA has committed both a supervisor and a laborer to this task. This report will suggest the immediate dissolution of the Laborer's position and the eventual elimination of the Landfill Supervisor's position following closure later this year. Even though long-term monitoring and oversight will be required, the existence of contracts with several engineering groups would allow the Authority to proceed without maintaining in-house employees assigned full-time for that function. The immediate aim of this recommendation is to phase out the Laborer and consider a third party contract to accommodate a long-term monitoring assignment.

The *recycling programs* have been predominantly self funded for some time, exclusive of salary costs which are funded through tip fees. Accumulated grant authorizations from the Solid Waste Services Tax Grant and Recycling Education/Program Planning Grant are presently being used to fund program activities in addition to annual interest earnings on Authority investments. At present, there is little need to reduce staff, but it is suggested that the clerk assigned to the operation be phased out in conjunction with expanding the emphasis on increased computer tracking capabilities in the MIS Division. This minor change should have very little affect on recycling education and training programs.

The *Transfer Station* currently houses Maintenance consisting of electricians, welders, mechanics and a maintenance repairer. This report suggests a reduction in three areas: one electrician, one welder, and one maintenance repairman. In each scenario, one individual remains under each operation with the exception of the maintenance repairman. We suggest that in all areas of the BCUA that the Services Division share services between wastewater and solid waste departments. Based on this scenario, a shared Maintenance Repairman from the Services Division could assist in either department if the skills are required.

Finally, the *Transfer Station* has employed eight Laborers to assist with actual trash transfer at the station. These Laborers assist nine operators and a supervisor for a total of 18 employees working directly in support of transfer operations. The amount of trash handled at the Bergen County facility exceeds those amounts delivered to plants we have studied in the past. But tonnage comparisons do not necessarily suggest the staffing currently being employed at the BCUA is appropriate. It would appear that most of the trucking involved with Transfer Station operations exists with private haulers or municipal entities. Therefore, existing operations involve the bundling of solid waste at this facility as a singular operation with the exception of some baling of cardboard and the scale or weighing operation. This number of individuals exceeds the needs of the Transfer Station by four Laborers based on reviews of both public and private operators and still leaves as many as thirteen people to dispose of solid waste at the transfer facility. In addition, the BCUA will continue to operate with at least three additional Laborers in the Services Division which could also assist if needed under extreme cases.

Solid Waste



It is recommended that the positions of Solid Waste Flow Coordinator and the Coordinator of Permits and Regulations in Wastewater be consolidated into one position over the weigh stations and the small area of enforcement remaining under deregulation. This consolidation could save approximately \$55,018, including benefits. In conjunction with this effort, we suggest that Inspectors be reduced by eight positions. This reduction still leaves two Inspectors to continue quality assessment and some decal or registration work. Any additional coverage needed for decal activity could be achieved through interlocal service agreements with the County Health Department. This reduction of eight Inspectors could achieve a savings of approximately \$478,139.

Phase out the Laborer position at the closed Landfill for a savings of \$38,916 including benefits. Following NJDEP review and approval of closure improvements at the Landfill in the latter part of this year, we suggest the position of Landfill Supervisor also be removed. However, we will not use this position to reduce costs at this time. Monitoring

activity, after this reduction, would proceed as a contract operation through one of the Authority's engineering consultants.

The Transfer Station could continue to operate successfully with four less Laborers with savings of \$159,915, including benefits. This analysis is based on tonnage moved in both public and private facilities, but also assumes three Laborers are still employed within the Services Division who could assist with this operation.

The Transfer Station uses equipment to move trash and thus requires maintenance to restore some of these pieces from time to time. We suggest, however, that at least one Welder and one Electrician could be removed from this operation as well as one Maintenance Repairman for a savings of \$176,105 in total costs. Again, we suggest that the Services Division share employees. And further, we suggest the BCUA may want to test the vendor market to assess a private sector interest for operating the vehicle and equipment maintenance facility.

Finally, it is recommended that the duties of the Clerk position assigned to recycling be absorbed by the professional staff at a savings of \$39,198, including benefits.

Total savings in the Solid Waste area could total to \$947,291, or \$3.18 per ton from the tip fee and a reduction of eighteen positions.

SERVICES DIVISION

Currently, the Services Division of the BCUA operates as an administrative tool to both the Wastewater and Solid Waste units. As such, the positions identified in this section were studied since they share a portion of funding from each section.

The team perceives that the Chief Finance Officer cannot effectively supervise this division and still maintain control over financial operations at the BCUA. In addition, it is apparent from discussions with the Manager of this division that real control and authority rests with him. Therefore, we recommend that the BCUA remove the CFO from this division and operate it with the existing Manager of the Services Department.

The *Services Division* also provides messenger services for the BCUA in the form of Messengers and a full time Coordinator of Internal Communications. This service has in the past enabled the BCUA to communicate to its own employees, its staff of managers, and the County in a comprehensive and somewhat efficient way. However, the County has reached the age of electronic services, E-mail, faxing, improved wireless telephone communications, pagers, and generally enhanced communications throughout the County. Because of these improvements in communication, we recommend the Authority dissolve the communications section entirely leaving most of its operations with the MIS Division. This would entail the elimination of one Coordinator position at a savings of \$56,598 and the reduction of four Messenger positions with a savings of \$194,549, plus benefits. Both the Solid Waste and Wastewater Departments will

benefit from this reduction at a rate of 24% and 76%, respectively. It is also suggested that the Authority Receptionist supplied by Services be replaced by an individual from the Wastewater budget which continues to house many of the employees at the BCUA. Finally, the Records Retrieval Operator should be assigned to the MIS Supervisor for additional support of that section.

The *MIS Division* currently has a vacancy in the title of Supervisor of Data Processing Operations which we believe should remain unfilled. As a result, we recommend the BCUA empower the Systems Analyst to operate the MIS function for the Authority. Computer operations at the BCUA continue to need and are in the process of being upgraded such that the capabilities of technological advances can support plans for personnel reductions while providing opportunities for increased employee performance. In its current organizational structure under Wastewater, the MIS function is supported with a Computer Service Technician and a Data Control Clerk. At the present time, it would appear that the Data Control Clerk position could be phased out or combined with the remaining Data Processing Technician in the Solid Waste Division. This consolidation could lead to savings of approximately \$66,503, including benefits. Data Control Clerks working under the supervision of a Data Processing Programmer are layered under a Senior Data Control Clerk, which we believe is unnecessary in a small division such as this one where span of control is certainly limited. The elimination of this position could save the BCUA an additional \$59,228 per year.

And finally, this Division which employs the most technically capable and computer literate staff, also uses two Senior Clerk Typists for additional support. It is our recommendation that those individuals whose skills in this area should be used should aptly handle any additional support. Therefore, we believe that additional savings can be realized from the reduction of one Senior Clerk Typist position which could result in savings of \$56,520, including benefits.

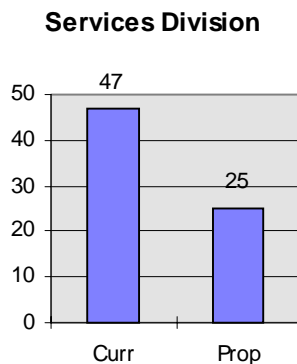
Currently, the *Services Division* employs a Supply Service Supervisor to maintain stores and standard stock items. As suggested earlier, we recommended that the Records Retrieval Operator be moved to the MIS Unit to aid in the tracking of inventory in the Supply Room. In addition, we believe supplemental supervision by the Supply Service Supervisor over the Principal Storekeeper and Storekeeper is unnecessary and redundant. Therefore, we suggest the phasing out of the Principal Storekeeper's position at a savings of \$70,371, including benefits. This reduction continues to employ one Storekeeper but reduces administrative staffing. It also continues to recognize the need for an equipment operator or fork lift operator which may be needed at the warehouse from time to time. We do, however, believe that the individual remaining could perform the necessary duties to fully and efficiently operate the stocking area without the need for an additional Laborer whose duties by definition do not lend themselves to stocking operations. This reduction could save an additional \$38,553, including benefits.

The *Buildings and Grounds Division* is one of the largest sections in the Services area. It supplies custodial, grass cutting, laborer, and general maintenance services to all Authority owned facilities. **We recommend that this whole division should be thoroughly studied to determine the feasibility of contractual operations supplied from outside the Authority.**

This review will not estimate these savings but rather suggest alternatives to the present organizational structure.

The Supervisor of Buildings and Grounds currently has two senior employees who act as lead maintenance repairers. Under the new suggested structure, we feel the supervision could be narrowed to one individual rather than two which would save an estimated \$70,677, including benefits. Below the lead maintenance repairer, we have suggested the elimination of one Maintenance Repairer position at a savings of \$54,390, including benefits. A review of the entire BCUA operations indicates that maintenance is being supplied to the Collection Systems Department in Wastewater. Therefore, we believe there is some overlap which could reduce the need for additional personnel in this specific area. The remaining Senior Building Maintenance Worker supervises or leads a large group of laborers responsible for general maintenance and custodial concerns. It is very evident the BCUA intends to maintain all buildings and grounds with a very extensive staff, however, the staffing and salaries allotted to this operation appear to be too extensive. In addition to the buildings at the BCUA offices, there are also offices at the Transfer Station. We believe the working supervisor and an additional three laborers could supply general custodial services. In addition, the BCUA also employs an equipment operator to maintain grass control during the summer months. The affect of leaving three custodial and one supervisory position translates into a loss of six laborer positions and a potential savings of \$247,073.

Finally, the Services Division supplies vehicular maintenance services to both Solid Waste and Wastewater Departments. Due to the size of the Transfer Operation, we have diminished the capability of the vehicle maintenance function by recommending that the two support positions (ie., Mechanics Helpers) assigned to the Mechanics be phased out to save an additional \$111,931. Again, the vehicle maintenance function should be looked at for possible privatization or outsourcing of these services as a possible cost saving measure. Private sector operators can establish a preventive maintenance schedule that effectively maintains the equipment and vehicles without the need for retaining a mechanics staff if a performance audit determined the service was not cost effective.



It is recommended that the position of Manager of the Services Division be established as the formal head of this Division and made independent of the Chief Financial Officer.

Phase out the entire Internal Communications Division with the exception of the Records Retrieval Operator who we suggest should be moved to the Supply Supervisor/Records Division. As a result of this action, we advocate the elimination of six positions, the Coordinator's position, four Messengers, and a Receptionist, for savings of \$301,602, including benefits.

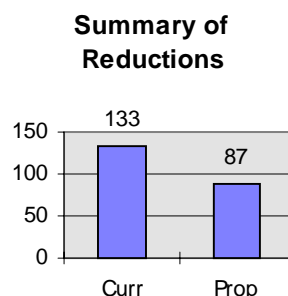
In the MIS area, we suggest the Systems Analyst be empowered to supervise the unit thus saving the salary of the vacant Supervisory position. We also recommend the dissolution of three positions, the Data Processing Technician, a Senior Data Control Clerk, and a Senior Clerk Typist, for a savings of \$182,251, including benefits.

The Supply area is over staffed with two Storekeepers and an additional layer of supervision in the title of Principal Storekeeper. We believe one Storekeeper and the Principal Storekeeper positions could be phased out for a savings of \$118,160. In addition, the Supply area was granted a Laborer to help in certain situations with stock. It is recommended that any additional assistance be provided from the Service Division's employee pool and the Laborer position assigned eliminated at a savings of \$38,553, including benefits.

Reduce costs in the Buildings and Grounds area by eight positions, one Senior Maintenance Repairer, a Maintenance Repairer, and six Laborers for a savings of \$372,140, including benefits. We strongly recommend the BCUA study outsourcing this service to a private vendor since we believe real savings could be achieved by this move.

Finally, it is recommended that the two auto Mechanic Helper positions be eliminated at a savings of \$111,931, including benefits.

Total savings in the Services Division alone could total \$1,124,637 and a reduction of staff by 22. Based on the Authority's apportioning 24% of the cost of the Services Division to Solid Waste, only \$269,913 represents the actual savings that can reduce the tip fee by \$0.92. The other savings would relate to wastewater operations if these recommendations were followed.

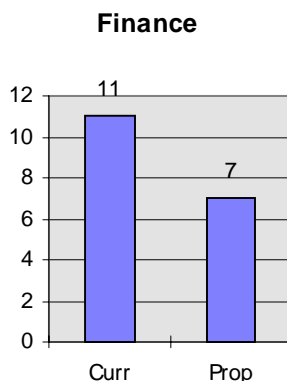


FINANCE

Following a thorough analysis of the BCUA operation, we believe the position of Chief Financial Officer (“CFO”) should only be in charge of the Finance area. This of course removes the CFO position from the Services Division, as recommended in the preceding discussion.

The Finance Division is staffed with five clerical support staff. This report suggests that the CFO be supported by a Secretary and a Principal Account Clerk. Further support appears to be a luxury which the BCUA can no longer afford. Therefore, we recommend the elimination of the additional Secretary Assistant position and the two remaining Clerk positions assigned to Finance in both the Deputy’s area and Purchasing. The phasing out of these positions could save \$155,356, including benefits.

In addition to these savings, we believe that a back-up buyer position is not necessary when the BCUA already enjoys the services of a Purchasing Agent and a Buyer. We feel both specification development and bid processing can be handled adequately by both of these professionals. If indeed there were additional needs, the County could be approached for possible assistance either through an inter-local agreement or other formalized arrangement.



It is recommended that the clerical support positions be phased out in both Purchasing and as support for the Assistant Chief of Finance by elimination of two Clerk positions and a Secretarial Assistant position. Savings are projected to total \$155,356. With the reduction of one Assistant Buyer position, the savings in the Purchasing area would be \$60,725. Based on the Finance Division’s apportioning of expenditures to Solid Waste and Wastewater on a 50-50 basis and Purchasing Division on a 40-60 basis, respectively, the savings for the Solid Waste Department is estimated to total \$101,968, or \$0.35 off the tip fee with four positions eliminated.

Total savings from the proceeding recommendations amount to \$2,485,212 which encompasses both Solid Waste and Wastewater funded departments. Of that amount, \$1,417,773 or \$4.84 off the tip fee represents reductions associated with solid waste personnel. 133 positions were studied and 46 are recommended for elimination. Any cost saving initiatives implemented since May of 1998 may be credited towards the attainment of recommendations identified in this report.

ANALYSIS OF UTILITY WORKERS UNION CONTRACT AFL-CIO (SOLID WASTE) AND BCUA SUPERVISORS ASSOCIATION

The Authority employees are represented by three collective bargaining units and one new collective bargaining unit is pending. According to the Director of Solid Waste, a union represents all but three employees associated with Solid Waste. Each employee, union and non-union, is subject to Civil Service procedures of the State of New Jersey. The areas of review by the team are described below.

A. Sick Leave Buy Out Proposal

The BCUA agreed to buy out accumulated sick leave of its employees by union agreement as of December 31, 1996. This proposal permitted employees to retain 160 days of sick time or cash in all sick time for accrued days up to that date with no cap on withdrawal of such sums in the year 1997. This proposal was submitted to the New Jersey Department of Personnel which approved this pilot program. Although not all employees chose to keep “banked” time, pay out amounts could be considered excessive. This proposal and subsequent payments were negotiated with the union but affected all personnel.

The New Jersey Department of Personnel (“DOP”) does not structure a “buy-out” for local governments, rather it is silent on the issue in the Administrative Code (Title 4A and N.J.S.A. 11A inclusive). However, the New Jersey Department of Personnel does set minimum sick day accruals for local governments that are subject to merit system guidelines. These minimum standards can be successively accrued over years to provide, in theory, an insurance program for long term illness. The BCUA sought DOP approval since accrued sick leave would or could be curtailed in this union negotiated agreement since days were being “cashed in.” Nevertheless, the proposal did not discuss issues such as retirement incentive, “capping of post leave sick time,” or the amount earned for this buyout. It essentially permitted employees to buy out their sick time at current full pay rates with no restriction on new time accruals following the agreement. Thus, the BCUA was obligated to pay its employees approximately \$3.2 million for unused sick leave as a method of controlling sick leave abuse. Unfortunately, the program proposed and undertaken by the BCUA left the door open for future payouts. The “pilot program” as submitted to the DOP did not address “capping,” rates of reimbursement or subsequent accrual of additional days. Therefore, employees are again “banking” sick time and may be eligible for additional reimbursement at the time of retirement unless contractual language is changed. The DOP approved the pilot program, but did not restrict additional leave or inhibit sick leave payouts. As a result, some very high individual sums were paid to some employees including those in management.

As of this writing, the BCUA has inquired about restrictions being placed on additional sick leave, but the Department of Personnel may have to rule on that issue as well.

Another consideration includes payment based on accrued time at one-half hourly pay to a maximum of \$15,000.

Recommendation: Cap all sick leave buy outs at \$15,000 and enforce the retirement provision as the only opportunity for the receipt of payment for accrued sick leave as an incentive to early retirement and to serve as a potential cost cutting measure for personnel reductions.

B. Payment of Sick Leave Benefit

The contracts currently provide for sick leave payments to heirs or beneficiaries upon the death of an employee.

Recommendation: Cease sick leave payments to heirs or beneficiaries upon employee's death or at least cap payments at \$15,000.

C. Personal Days/Bereavement Leave

Contractual language currently provides for a combination of up to five days leave for this benefit.

This represents a significant opportunity for developing competitiveness within the employee ranks of the Authority.

This is another area to encourage additional competitiveness within the employee ranks.

Recommendation: Reduce personal days benefit to three days total for personal leave and have bereavement operate as a draw down against accumulated sick leave up to a maximum of five days with appropriate approval.

D. Temporary Assignment Language

Enable employees to share work by revising job descriptions to broaden the potential duty assignments instead of installing language in union contracts to make job-sharing more difficult. Provisions need to be made for consolidated work, cross training, and elimination of paying out-of-title pay within the Divisions of Water Pollution and Solid Waste. Negotiations should empower this activity, not restrict it.

Recommendation: Provide for regular sharing of work rather than when emergent need exists in order to improve services and establish efficiencies.

E. Annual Increments

Tie in performance review/evaluation standards to be eligible for annual salary increments adding objective and statistical elements to the review before automatic raises are granted. Currently the salary structure does not mention performance or establish standards.

Recommendation: Establish an effective evaluation tool to monitor and justify annual salary adjustments. Eliminate automatic salary adjustments to all employees.

- Cost of living adjustments should be set annually at year end based on the U.S. Department of Labor Statistics which averages the rate of inflation for the entire United States with the metropolitan statistical area the authority is located within.
- Merit pay adjustments should be based on performance that may be added on top of a specified inflation adjustment.
- In conjunction with the above, establish salary caps based on a market analysis of other public and private sector utility authorities to determine what the market is actually paying for these positions. This should be performed approximately every three years to insure that employees are appropriately compensated in such a way as to attract and maintain quality employees. Those employees at their salary cap would continue to receive a salary adjustment in the form of a one-time bonus equivalent to inflation and/or merit pay that is not included as an eligible cost for pension purposes.

F. Longevity Pay

Currently employees receive 1% to 5% of their salaries longevity payments beginning after five and up to twenty-five years of service in addition to regular annual salary increments. In addition, contractual language adds this payment to salaries reported for pension purposes increasing costs in the long term through additional payments into the pension system and a higher benefit package. Overtime costs are also increased artificially by the inclusion of longevity payments into salaries.

Recommendation:

Option 1: End longevity payments. Savings spread over the entire BCUA at the percentages made available for the team's review for an average salary of \$52,000 equals a savings of \$253,240. An average salary of \$52,000 was used as a base that is representative of the 43 positions within the BCUA being considered for elimination. The percentages were tabulated individually and averaged to the most common percentage of these 43 positions. Costs are also increased as a result of these costs being reported to pensions and added to salary for overtime purposes.

Option 2: Longevity payments should be paid as a one-time bonus that is not figured into salary for pension or overtime purposes.

G. Insurance Coverage

The Supervisor's contract provides dental coverage at no cost to the employee.

Recommendation: Supply coverage with a co-payment to reduce the cost of the benefit and to maintain consistency with non-salaried hourly employees.

H. Disability Plan

Currently, the BCUA supplies a private disability plan as a result of union negotiations. This plan and its costs were not made available for our review or its costs. It should be pointed out that the BCUA is eligible to participate in the State Disability Plan and is also paying for private coverage as well.

Recommendation: Review coverages and costs associated with disability insurance as supplied by the State and private carriers. Insure that there is no overlapping coverage.

I. Sick Leave

All sick leave is cumulative and is paid in full at the time of retirement.

Recommendation: Cap sick leave pay-outs at \$15,000 and consider payment based on one-half the hourly rate of pay for every hour of sick leave accrued up to a maximum of \$15,000.

CIVIL SERVICE REVIEW

The BCUA is subject to civil service guidelines and must adhere to N.J.S.A. 11A and N.J.A.C. 4A with regard to its personnel proceedings. Currently, the BCUA for civil service purposes is made up of the following categories:

1. Permanent classified individuals	266
(Wastewater, Administration and Solid Waste)	
2. Unclassified	32
3. Provisional	20
Total	318 Employees

The payroll information supplied to LGBR indicated that there were currently 288 employees working for the BCUA overall. The report indicates a discrepancy of thirty individuals which should be rectified via a review with civil service. It should be pointed out that all terminations should be directed to the Department of Personnel to maintain accurate records and to reflect real numbers in the face of a possible reduction in force.

Potential RIF Action

The BCUA is potentially contemplating a reduction in force in the solid waste division. Under current rules and regulations, a layoff in this specific division will not be restricted to one division. Rather its affects will be felt throughout the BCUA through possible displacement or “bumping” as it is traditionally referred to. Accordingly, the Authority should investigate the possibility of implementing a division-wide layoff unit.

SUMMARY OF UNION AGREEMENTS AND CIVIL SERVICE RULES

It is estimated that there are potentially additional savings totaling \$253,240, or \$.86 off the tip fee. Any cost saving initiatives implemented since May of 1998 may be credited towards the attainment of recommendations identified in this report.

PROFESSIONAL SERVICES CONTRACTS

The BCUA relies on a number of professionals for engineering, legal advice, financial services and others. They include:

General Counsel to perform professional legal services for the Authority which is budgeted for at \$300,000. Services are charged:

- for an annual retainer of \$25,000,
- at \$100 per hour for attendance at special meetings, representation in all litigation, preparation of legal opinions, and preparation of agreements, resolutions, bid specifications,
- at \$125 per hour for requisite legal services before all divisions of municipal through federal courts,
- at \$150 per hour for requisite legal services involving extraordinary issues of law, and
- specific services related to issuance of bonds, new, refinancing or refunding at a compensation rate to be determined at point of engagement for this service.

Special Labor Counsel to perform special legal services related to collective bargaining agreements, formation of personnel policies, and representing the Authority regarding any labor litigation. The hourly rate totals \$100.00 and is budgeted at \$100,000.

Two (2) **Consulting Engineers** to perform professional engineering support services as assigned by the Authority related to project tracking, regulatory compliance, and general engineering and technical services. Hourly rates range from \$60 to \$180. One of the above Consulting Engineers, Malcom Pirnie, Inc., will assist with the preparation of procurement documents regarding the operation of the Authority's solid waste transfer station facility and the transportation and disposal of solid waste delivered to the facility. The fee for this special service totals \$371,000.

Insurance Consultant to perform as third party administrator and broker of all insurance policies of the Authority. The insurer is paid exclusively from the commissions from insurance policies purchased on behalf of the Authority.

Auditor to examine financial statements of the Authority, perform the annual audit acceptable to the Division of Local Government Services, prepare quarterly financial statements for banks and trustees, assist with preparation of annual budget, and attend monthly meetings. The fee for the annual audit totals \$61,000. The other services are provided on an hourly basis at a rate of \$125.

Preparation of Closure Plans and capital construction documents:

Consulting Engineer to oversee engineering services for the design and implementation of the KPSL Closure Project. The contract amount on this specific project totals \$119,000. This agreement was entered into on September 3rd, 1996. The approved Closure Plan of the landfill identifies \$9.3 million of remediation work to be completed on the landfill in 1998 to achieve closure.

Consulting Engineer to perform engineering services in regard to required landfill monitoring. The contract amount totals \$56,000. This agreement was entered into on February 19th, 1998.

Due to the extensive effort being made by the BCUA Commissioners to evaluate the Authority's ability to be competitive versus privatization of the solid waste department, there are several significant professional services contracts in place to assist them in packaging requests for qualifications, requests-for-proposals, management analyses, labor negotiations, evaluation of those submittals, and other critical topics. At this time, it is difficult to judge the appropriateness of the sums involved with these contracts.

1998 BUDGET, REVENUE VS EXPENDITURES

The following table breaks out the major areas of expense related to the delivery of solid waste services. Table 1 portrays the costs of administration apportioned by the BCUA against solid waste services and excludes costs associated with wastewater services. The totals identified in Table 1 are then shown on Table 2 as allocated costs for the assignment of Administrative charges related to solid waste to be built into the tip fee calculation.

TABLE 1

Administration:	1997 Budgeted	1998 Budgeted	Difference +/-(-)
Commissioners Office	\$32,979.50	\$31,297.50	(1,682.00)
Executive Director's Office	110,621.50	98,182.32	(12,439.18)
Administrative Services	170,956.68	161,194.08	(9,762.60)
Data Processing	51,000.00	53,500.00	2,500.00
Finance Department	133,700.10	141,714.40	8,014.30
Personnel Department	35,300.00	28,896.56	(6,403.44)
Purchasing Department	63,568.89	58,708.20	(4,860.69)
Security	669,854.03	482,648.00	(187,206.03)
Fringe Benefits	238,283.80	236,452.13	(1,831.67)
Reapportioning costs from Wastewater	859,724.50	627,173.00	(232,551.50)
TOTAL Administration -	2,365,989.00	1,919,767.19	(446,221.81)

Table 1 indicates that the 1997 and 1998 budgets for solid waste were amended to reflect a greater percentage of administrative costs shared with wastewater. After the budget was prepared, it was determined that the assignment of charges from administration against solid waste was too low. The budget has not been formally amended to reflect this change in 1998.

TABLE 2

Solid Waste Operations: Expenditures	1997 Budgeted	1998 Budgeted	Difference +/-(-)
Operational Costs/TS	37,308,584.00	19,932,724.00	(17,375,860.00)
Debt Service	10,838,746.00	10,824,788.00	(13,958.00)
Allocated Costs	2,365,989.00	1,919,767.00	(446,222.00)
TOTAL - Expenditures	50,513,319.00	32,677,279.00	(17,836,040.00)

Solid Waste Operations: Revenue	1997 Budgeted	1998 Budgeted	Difference +/-(-)
Retained Earnings	\$10,864,254.00	\$ 0.00	(10,864,254.00)
Tip/Composting Fee	\$35,908,700.00	16,373,326.00	(19,535,374.00)
EIC	0.00	\$13,077,397.00	13,077,397.00

		0	
Recycling & SWS	440,000.00	426,556.00	(13,444.00)
Taxes	1,800,000.00	1,400,000.00	(400,000.00)
Interest	1,300,000.00	1,300,000.00	0.00
Miscellaneous	200,365.00	100,000.00	(100,365.00)
TOTAL - Revenues	50,513,319.00	32,677,279.00	(17,836,040.00)

The marketing strategy represents an aggressive approach to attract additional market share which is a further example of competitiveness being pursued by the Board.

The dramatic drop in operational costs associated with the Transfer Station is primarily reflective of losing contracts with three privately operated transfer stations in Bergen County following the Atlantic Coast decision. The three private transfer stations and the BCUA operated as one-system and the BCUA performed the billing, accounts receivable and distribution of revenues to the four system members for processing Bergen County solid waste. The Authority no longer handles the private haulers tonnage such that expenditures are significantly lower.

The 1998 Budget for Solid Waste Management, as shown on the previous page, indicates that the adopted budget is \$17.8 million or 35% less than proposed in 1997. The Authority is assuming that revenues from tip fees in 1998 are based on 303,210 tons of solid waste being handled through the transfer station which is approximately 10,000 tons more than the prepared rate study is assuming for 1998. At the current average rate of 1,200 tons per day at 5.5 days per week, the BCUA could handle an estimated 327,600 tons for the year. As a marketing ploy to attract more tonnage, the Authority has eliminated its pre-payment requirement, expanded the hours of the transfer station, and reduced the turn-around time at the transfer station.

The Authority is anticipating the implementation of an EIC totaling \$13.1 million though LGBR is recommending that it should total only the cost of a proposed annual debt obligation of \$3.3 million. Please refer to section on Debt Obligation, on page 22. The \$2.3 million in non-debt obligations represents expenditures that will need to be funded from other revenue sources than the proposed EIC.

The 1998 Budget proposes to include a portion of the cost of recycling totaling \$288,791 in the EIC which is not an eligible cost to be included in the calculation. The BCUA will need to establish a separate fee structure to support its recycling program. As indicated by the Director of Solid Waste, personnel costs associated with recycling and household hazardous waste materials are included in the tip fee. These charges should be removed and funded from a County appropriation as proposed in draft legislation on Solid Waste Management and Recycling.

TIP FEE ANALYSIS

The expenditure budget, which is the basis of the tip fee, is presented for the years 1997 and 1998.

BERGEN COUNTY UTILITIES AUTHORITY		
	1997	1998
	BUDGET	BUDGET
SW Transport & Disposal	16,239,800	11,970,000
Transfer Station Operations	5,698,800	3,760,532
Transport to UCUA	244,800	0
Debt Service	10,854,000	0
Host Benefit Fee	1,800,000	1,400,000
Allocated Expenses	1,893,600	642,794
SUBTOTAL - Tip Fee	36,731,000	17,773,326
EIC Charges:		
Debt Service	0	10,824,788
Operations Costs	0	2,252,609
SUBTOTAL - EIC	0	13,077,397
TOTAL TIP FEE/EIC	36,731,000	30,850,723
RELATED COSTS		
Annual Tonnage Estimate - TS	360,000	293,500
County-Wide Tonnage Estimate		449,912

NOTE: Expenditures reflect only that portion of the budget covered by tip fees. The balance of annually budgeted expenditures or \$1.8 million, not shown here, are funded from retained earnings, grants, interest earnings, and miscellaneous income.

The BCUA adopted a tip fee rate of \$64 per ton in September of 1997 and built its 1998 Budget and proposed EIC around that rate per ton. However, the BCUA, in order to be competitive with other competing solid waste disposal entities, lowered its tip fee administratively to \$54 per ton such that income needed to support the tip fee portion of the 1998 Budget is actually less by approximately \$2 million, or \$15.85 million. The BCUA has proposed amending the 1998 Budget to reflect a revised fiscal picture of spending requirements, however, those amendments have not been put forward to the BCUA Commissioners for formal action as stated by BCUA's Acting Finance Officer. However, the suggested amendments are identified on a rate summary prepared to portray how costs will be apportioned between the tip fee and proposed EIC. The

table on the following page portrays the tip fee based on the formally adopted 1998 Budget outlined above.

This payment estimate assumes that the UCUA's lease plan proceeds and the BCUA's portion totals \$4.1 million per year after implementation of the lease.

The BCUA is currently paying the UCUA based on a previously approved schedule of payments. The UCUA is escrowing those funds pending an agreement between the two parties'.

BERGEN COUNTY UTILITY AUTHORITY		
	1997 RATES	1998 RATES
SW Transport & Disposal	45.11	40.78
Transfer Station Operations	15.83	12.81
Transport to UCUA	0.68	0.00
Debt Service	30.00	0.00
Host Benefit Fee	5.00	4.77
Allocated Expenses	5.26	2.19
SUBTOTAL - Tip Fee	101.88	60.56
 EIC Proposed Charges:		
Debt Service		24.06
Operations Costs		5.01
SUBTOTAL - EIC		29.07
 TOTAL - Tip Fee/EIC	 101.88	 89.62
 Annual Tonnage Estimate at TS	 360,000	 293,500
County-Wide Tonnage Estimate		449,912

Note: The 1998 Rates reflect the original budget adopted by the BCUA. Solid waste transport costs are understated based on a current contract price of \$42.75 per ton and host benefit fees are overstated based on the latest agreement with North Arlington. The Authority presently charges a tip fee of \$54 per ton.

As the table above demonstrates, the BCUA will not meet its projected revenue target to support the 1998 Budget based on the rate requirement shown above. The EIC is not in place such that the Bond Service Fund was only partially funded for the June 15th payment.

In addition, the numbers presented above do not take into account the funding of the UCUA interdistrict agreement if the Court directs the Authority to pay. This would amount to

approximately \$340,000 per month that would need to be funded by either increased market share or as an addition to the EIC as proposed earlier on page 10 of this report.

It is recommended that the BCUA Commissioners take action to formally amend the 1998 Budget to reflect current expenditure requirements and to meet projected revenue shortfalls by either implementing an EIC, drawing down on retained earnings, or both.

Roland M Machold, Acting State Treasurer
David Mortimer, Associate Deputy State Treasurer

Jane M. Kenny, Commissioner,
Department of Community Affairs
Alan Steinberg, Director, Division of Local Government
Services

Robert C. Shinn, Jr., Commissioner,
Department of Environmental Protection
Gary Sondermeyer, Assistant Commissioner,
Department of Environmental Protection